

FACT SHEET

EQUAL HOUSING
OPPORTUNITY

DOWN PAYMENT ASSISTANCE PROGRAM (DAP)

(Effective July 1, 2004)

~ Information for Lenders and Agents ~

Effective July 1, 2004, the City of Stockton has revised its Down Payment Assistance Program to boost the buying power of low-income households. The program will continue to provide funds towards the purchase of an eligible property and now will provide funds toward the repair/rehabilitation of that property to Section 8 Standards or to add requested handicap accessibility items.

City staff works directly with the lenders - not the applicants. In order to apply on behalf of the buyer, Lenders must submit a duplicate loan package to City per the attached submittal form.

The Down Payment Assistance Program will lend up to \$50,000 at zero percent (0%) interest towards the purchase of a home. The exact amount available will be determined based upon the details of the purchase – purchase price, amount of funds buyer will be contributing to purchase, maximum amount of purchase loan, LTV ratios, etc.

The repair/rehabilitation funds portion of the program will lend up to \$50,000 at a fixed interest rate of 0% - 3% (as set by the City) towards the rehabilitation of the purchased property. The exact amount available will be determined based upon the bids for the required repairs and the after-rehabilitation appraisal. An after-rehabilitation appraisal will be required prior to loan approval. Cost of the appraisal may be paid through escrow from the City loan.

ELIGIBLE PROPERTIES:

- Single-Family Residence
- Planned Unit Residential Development
- Condominium Unit
- Must be located within the Stockton city limits

FIRST MORTGAGE TERMS

- Fixed-Rate 30 year terms. No non-permanent buy-downs allowed.
- Interest rate must be reflective of current market rates
- Total loan origination and processing fees may not exceed 2% of loan amount
- Combined Loan to Value cannot exceed 104%

Program Income Limits by Household Size (Income Must be Fully Documented – No Stated Income Allowed)	
Household Size (Number of Persons to Reside in Home)	Maximum Allowable Gross Annual Income (Per Household)
1	\$30,850
2	\$35,250
3	\$39,650
4	\$44,100
5	\$47,600
6	\$51,150
7	\$54,650
8	\$58,200
9 or more	Call for Calculation

(Revised January 2004)

BUYER REQUIREMENTS:

- Income qualified by household
- No home ownership for previous 3 years
- Residency within Stockton city limits for previous 12 months
- No co-signors accepted
- Each co-borrower must go on title
- Each borrower will be required to attend a home buyer education class that offers a minimum of eight (8) classroom hours. They must obtain a certificate from the course that indicates the hours of training received. Some lenders and non-profit housing groups offer the courses at little or no cost.
- Unmarried or married status only. Married – both spouses must be on title and City loan.
- Must purchase 2-Year Home Warranty Policy

CITY DEBT RATIO LIMITS:

Maximum **38%** front end ratio and maximum **41%** back end ratio. The following compensating factors may raise the back end ratio to **45%**:

- The borrower has successfully demonstrated the ability to manage housing expenses equal to or greater than the proposed monthly housing expense for the new mortgage over the past 12-24 months. Verification of Rent will be required.
- The borrower makes a large down payment (10% or more) toward the purchase of the property from their own funds.
- Previous credit history shows that the borrower has the ability to devote a greater portion of income to housing expenses.
- There is only a minimal increase in the borrower's house expense. No unpaid liens, collections, or judgments showing on credit report. All must be paid prior to escrow and credit report update. Bankruptcies must be discharged for one year.

PROPERTY QUALIFICATIONS:

- Properties must have an initial purchase price or in the case of acquisition and rehabilitation of existing homes, and after-rehabilitation value that does not exceed 95% of the HUD-calculated FHA mortgage limit (Section 203(b)) for a single-family residence in the City of Stockton.
- Property must serve as the purchaser's primary residence and must be made within the Stockton city limits.
- Purchase of occupied rental properties for owner-occupancy may trigger Federal relocation benefits paid by seller, when the tenant is required to move-out of the property.
- Properties must be inspected by City staff and all health and safety violations corrected. No As-Is purchases allowed.
- Properties must have termite inspection and report
- Properties must be inspected by City of Stockton staff and meet HUD Section 8 Housing Quality Standards prior to loan approval. Each eligible property constructed prior to 1978 will be subject to HUD regulations on lead-based paint hazards.
- Properties must have front-yard landscaping and automatic sprinklers on a timer prior to loan funding. Required work to meet standards will be determined by City staff.
- Buyer must purchase minimum 2-year home warranty insurance policy.

USE OF DOWN PAYMENT FUNDS:

- Up to \$5,000 may be used towards the payment of both recurring and non-recurring closing costs and is forgivable, if certain conditions are met.
- Prepayment of mortgage insurance.
- Prepayment of two-year home warranty insurance policy.
- Prepayment of one-year fire insurance premium.
- Non-recurring closing costs.
- Title fees.
- Permanent interest rate buy-down.

USE OF REHABILITATION FUNDS:

Up to an additional \$50,000 is available for use within 90 days after the close of escrow for property improvements to bring the home to HUD Section 8 Standards or to add requested handicap accessibility items. Properties that have health and safety hazards must have these items fixed before the new owners can move in the house.

CITY'S LOAN REPAYMENT TERMS:

- The repayment of all funds will be deferred for 30 years and is due in full at the end of the 30th year. Loans must be repaid upon the sale, refinance or non-occupancy of the property during the 30 years. There is no prepayment penalty and the City does not charge to make the loan.
- Upon sale or refinance of home, five (5) percent of shared net appreciation will be paid to the City. Shared net appreciation shall be calculated by subtracting the seller's applicable closing costs, seller's cash contribution in the original purchase transaction and the documented value of capital improvements from the gross appreciation amount.
- The year in which the \$5,000 will be forgiven will be based upon the total loan amount and City's funding source.
- Loans are not assumable.

CITY LOAN PROCESSING TIME:

The City of Stockton loan processing will take approximately three weeks. The City will deposit its loan documents and funds directly into the purchase escrow.

All loans over \$26,700 must receive City Council approval through the placement of the loan on the next-available City Council meeting agenda.

City of Stockton Contact:

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HOMEBUYER ASSISTANCE PROGRAM LOAN SUBMITTAL PROCEDURES

Date: _____

Name of Lender

Contact Person

Phone Number

Name of Applicant

Fax Number

Property Address

Amount of Down Payment \$

Lender Requirements:

Submit complete duplicate loan package in a labeled folder including:

- Loan Application (Form 1003)
- Copy of title report (no more than 90 days old)
- Credit Report (no more than 60 days old)
- Three (3) months pay stubs for each applicant and working household member
- Verification of Employment for each employed applicant
- Three (3) months most-recent bank statements
- Two (2) years tax returns and W-2's
- Loan approval signed by authorizing official (underwriter), including appropriate form (1008, Mortgage Credit Analysis Worksheet (MCAW), Loan Analysis)
- Borrower Authorization for Release of Information (signed)
- Appraisal (with color photos)
- Termite Report
- Purchase Contract (signed by seller and buyer)
- Certificate of Completion of City-Approved Homebuyer Assistance Training
- Buyer/Seller Estimated Closing Statement From Title Company
- Certification of Lead-Based Paint Clearance (if applicable)

<p>PLEASE ALLOW MINIMUM <u>3 WEEKS</u> TURNAROUND AFTER COMPLETE LOAN PACKAGE IS SUBMITTED.</p>
